Associated Press Limited Pension and Life Assurance Fund (the "Fund")

Statement of Investment Principles – September 2023

1. Introduction

The Trustees of the Associated Press Limited Pension and Life Assurance Fund (the "Fund") have drawn up this Statement of Investment Principles (the "Statement") to comply with the requirements of the Pensions Act 1995 (the "Act") and associated legislation including the Occupational Pension Schemes (Investment) Regulations 2005 (as amended). The Statement is intended to affirm the investment principles that govern decisions about the Fund's investments. The Trustees' investment responsibilities are governed by the Fund's Trust Deed and Rules, of which this Statement takes full regard.

In preparing this Statement, the Trustees have consulted a suitably qualified person by obtaining written advice from Mercer Limited ("Mercer"). In addition, consultation has been undertaken with Associated Press Television News Ltd. (the "Employer") to ascertain whether there are any material issues of which the Trustees should be aware in agreeing the Fund's investment arrangements and, in particular on the Trustees' objectives.

2. Process For Choosing Investments

The Trustees have appointed Mercer to act as discretionary investment manager, by way of Mercer's Dynamic De-risking Solution, to implement the Trustees' strategy whereby the level of investment risk reduces as the Fund's funding level improves, noting that the Fund has recently reached its final de-risking trigger. In this capacity, and subject to agreed restrictions, the Fund's assets are invested in multi-client collective investment schemes ("Mercer Funds") managed by a management company (Mercer Global Investments Management Limited ("MGIM")). MGIM has appointed Mercer Global Investments Europe Limited ("MGIE")) as investment manager of the Mercer Funds. In practice, MGIE delegates the discretionary investment management for Mercer Funds to third party investment managers based in countries such as Ireland, UK and USA and those sub-investment managers will manage either a sub-fund or certain segments of a sub-fund. Mercer has expertise in identifying, selecting and combining highly rated fund managers who are best placed and resourced to manage the Fund's assets on a day to day basis.

In considering appropriate investments for the Fund, the Trustees have obtained and considered the written advice of Mercer, whom the Trustees believe to be suitably qualified to provide such advice. The advice received and arrangements implemented are, in the Trustees' opinion, consistent with the requirements of Section 36 of the Pensions Act 1995 (as amended).

3. Investment Objectives

The Trustees understand that taking some investment risk, with the support of the Sponsor, is necessary to improve the Fund's current and ongoing solvency funding positions. The Trustees recognise that equity investment will bring increased volatility to the funding level, but in the expectation of improvements in the Fund's funding level through equity outperformance of the liabilities over the long term.

The Trustees' primary objective is to act in the best interest of its members and ensure that the Fund's assets are invested in such a manner that the obligations to the beneficiaries of the Fund can be met when they fall due. In meeting this objective the Trustees' further objectives are:

- By means of an agreed combination of investment return and agreed contributions from the Sponsor, move the Fund to a position of being 105% funded on a de-risked funding basis (gilts + 0.0% p.a.) by 2034.
- In doing so, to opportunistically reduce the degree of risk in the Fund's investment arrangements, thereby helping to protect the Fund's improving funding position.

The Trustees recognise this ultimately means investing in a portfolio of bonds but believe that at the current time some investment in equities ("Growth Portfolio") is justified to target enhanced return expectations and thereby target funding level improvements. The Trustees recognise that this introduces investment risk and these risks are discussed below.

The Trustees have agreed that the Fund should move progressively towards a target of an entirely bond-based investment strategy ("Matching Portfolio") as its funding level increases. The Fund has reached its final de-risking trigger and as such no further de-risking triggers are in place. The Trustees will monitor progress against their funding objective on an ongoing basis.

The objectives set out above and the risks and other factors referenced in this Statement are those that the Trustees determine to be financially material considerations. Non-financial considerations are discussed in section 9.

4. Risk Management and Measurement

There are various risks to which any pension scheme is exposed. The Trustees' policy on risk management over the Fund's anticipated lifetime is as follows:

- The primary risk upon which the Trustees focus is that arising through a mismatch between the Fund's assets and its liabilities and the Sponsor's ability to support this mismatch risk.
- The Trustees recognise that whilst increasing risk increases potential returns over a long period, it also increases the risk of a shortfall in returns relative to that required to cover the Fund's liabilities as well as producing more volatility in the Fund's funding position.
- To control the risk outlined above, the Trustees, having taken advice, set the split between the Fund's Growth and Matching Portfolios such that the expected return on the overall portfolio is expected to be sufficient to meet the objectives outlined in Section 3. The asset allocation has initially been set so that the expected return on the portfolio is sufficient to meet the objectives outlined in section 3.
- Whilst moving towards the target funding level, the Trustees recognise that even if the Fund's assets are invested in the Matching Portfolio there may still be a mismatch between the interest-rate and inflation sensitivity of the Fund's assets and the Fund's liabilities due to the mismatch in duration between the Matching Portfolio and actuarial liabilities.

- The Trustees recognise the risks that may arise from the lack of diversification of investments. To control this risk the Trustees have chosen a Growth Portfolio, which includes a well-diversified portfolio of equites and have delegated the asset allocation decisions within the Matching Portfolio to Mercer (subject to certain restrictions). Subject to managing the risk from a mismatch of assets and liabilities, Mercer aims to ensure the asset allocation policy in place results in an adequately diversified portfolio.

- To help the Trustees ensure the continuing suitability of the current investments, Mercer provides the Trustees with regular reports regarding the performance of the underlying asset managers appointed within the relevant Mercer Funds to enable the monitoring of differences between the expected and experienced levels of risk and return.

- There is a risk that the day-to-day management of the assets will not achieve the rate of investment return expected by the Trustees. In order to mitigate this risk, the Trustees have decided to use passive management.

- The Fund is subject to currency risk because some of the investment vehicles in which the Fund invests are denominated or priced in a foreign currency. Within the context of the Mercer Funds used in the Growth and Matching Portfolios, to limit currency risk, the Trustees, in consultation with Mercer, a target non-sterling currency exposure is set and the level of non-sterling exposure is managed using currency hedging derivatives such as forwards and swaps.

- The Trustees recognise that environmental, social and corporate governance concerns, including climate change, have a financially material impact on returns. Section 9 sets out how these risks are managed.

Should there be a material change in the Fund's circumstances, the Trustees will advise Mercer, who will review whether and to what extent the investment arrangements should be altered; in particular the next steps following the completion of the current de-risking strategy.

5. Investment Strategy

The Trustees, with advice from the Fund's investment consultant and Scheme Actuary, reviewed the Fund's investment strategy in 2017. This review considered the Trustees' investment objectives, their ability and willingness to take risk (the "risk budget") and how this risk budget should be allocated and implemented (including de-risking strategies).

Following the review, the key decision was to seek a long-term solution to "de-risk" the Fund's assets relative to its liabilities over time using a dynamic trigger based de-risking framework. The Trustees decided to engage Mercer to implement their de-risking strategy by way of its Dynamic De-risking Solution. The approach undertaken relates to the asset allocation to the Fund's funding level (on an actuarial basis using a single discount rate matching the appropriate gilt yields i.e. "gilts +0.0% basis"). The current de-risking strategy has now been completed. The de-risking rule mandates the following practices:

- To hold sufficient Growth assets to target full funding on a gilts +0.0% basis by 2034;

- To reduce the volatility in the funding level by reducing un-hedged liability exposures;

- To monitor the progress in the funding level and to capture improvements in the funding level promptly, if they arise.

The de-risking strategy takes account of the Fund's initial funding level on a gilts +0.0% basis and is based on a model of the progression of the Fund's funding level over the period to 2034, taking into account any expected contributions from the Sponsor as agreed at the latest triennial actuarial valuation (currently the 2019 valuation).

In 2022 the de-risking triggers, which form the basis of the Fund's dynamic investment strategy, were reviewed to consider any update in light of changes to the liabilities and experience, and are set out in a separate document – the Statement of Investment Arrangements.

The investment strategy will be reviewed on an annual basis to ensure that the triggers set remain appropriate and amended if required.

The Trustees have set the Fund's asset allocation and dictate the funds which are to be included in the Growth Portfolio which comprise global and emerging markets equities. For the avoidance of doubt Mercer has no discretion over the allocation of the Growth Portfolio but has full discretion over the Matching Portfolio (subject to the restrictions set out in the latest side letter to the IMA). More information on the underlying funds is set out in a separate document – the Statement of Investment Arrangements.

Responsibility for monitoring the Fund's asset allocation and undertaking any rebalancing activity, is delegated to Mercer. Mercer reports quarterly to the Trustees on its rebalancing activities.

6. Realisation of Investments

The Trustees on behalf of the Fund hold shares in the Mercer Funds. In its capacity as investment manager to the Mercer Funds, MGIE, and the underlying third party asset managers appointed by MGIE, within parameters stipulated in the relevant appointment documentation, have discretion in the timing of realisation of the investments and in considerations relating to the liquidity of those investments.

7. Cash flow and cash flow management

Cash flows, whether positive or negative, are taken into account by Mercer when it rebalances the Fund's assets in line with Fund's strategic allocation. Mercer is responsible for raising cash flows to meet the Fund's requirements.

8. Rebalancing

As noted, responsibility for monitoring the Fund's asset allocation and any rebalancing activity is undertaken by Mercer. Mercer reviews the actual balance between the Growth and Matching Portfolios on an ongoing basis. If at any time the balance between the Growth and Matching Portfolios is deemed to be outside an agreed tolerance range, Mercer will seek to rebalance these allocations back towards the target allocations. Although Mercer has discretion to vary the tolerance range, it is the intention that the Growth Portfolio allocation will not drift by more than 5%, in absolute terms, away from the relevant target allocation.

The ranges have been designed to ensure that unnecessary transaction costs are not incurred by frequent rebalancing.

9. Environmental, Social and Corporate Governance, Stewardship and Climate Change

The Trustees believe that environmental, social, and corporate governance (ESG) factors may have a material impact on investment risk and return outcomes, and that good stewardship can create and preserve value for companies and markets as a whole. The Trustees also recognise that long-term sustainability issues, particularly climate change, present risks and opportunities that increasingly may require explicit consideration.

The ESG expertise and capabilities of Mercer and MGIE, accessed by way of Mercer's Dynamic De-risking Solution, were part of the selection criteria when the Fund moved to a delegated approach in 2017.

As noted above, the Trustees appointed Mercer to act as discretionary investment manager in respect of the Fund's assets and such assets are invested in a range of Mercer Funds managed by MGIE.

The Trustees, Mercer and MGIE support and expect asset managers appointed to manage the Mercer Funds which are registered with the Financial Conduct Authority to comply with the UK Stewardship Code and UK Corporate Governance Code, including public disclosure of compliance via an external website. An assessment of each manager's compliance against the seven underlying principles of the UK Stewardship Code is part of MGIE's review process of all underlying equity managers appointed to manage assets of the Mercer Funds in which the Fund invests. Those managers exercise voting rights and undertake engagement (collaborative or otherwise) in accordance with their own corporate governance policies.

The Trustees receive the following reporting on an annual basis:

- UK Stewardship Code Review which assesses the compliance of the underlying equity manager against the seven principles of the UK Stewardship Code.
- Stewardship monitoring reporting which assesses the record of executing and disclosing voting activity of the underlying equity manager and the extent to which they are engaging with the underlying companies in which they invest.
- ESG ratings of all investment managers versus the asset class universe ESG ratings. In addition, ESG ratings are disclosed in the quarterly performance report which is reviewed by the Trustees.

Member views

Member views are not taken into account in the selection, retention and realisation of investments.

Investment Restrictions

The Trustees have not set any investment restrictions on the appointed investment managers in relation to particular products or activities, but may consider this in future.

10. Trustees' policies with respect to arrangements with, and evaluation of the performance and remuneration of asset managers an portfolio turnover costs

When engaging Mercer as discretionary investment manager to implement the Trustees' investment strategy outlined in section 5, the Trustees are concerned that, as appropriate and to the extent applicable, Mercer is incentivised to align its strategy and decisions with the profile and duration of the liabilities of the Fund, in particular, long-term liabilities.

As Mercer manages the Fund's assets by way of investment in Mercer Funds, the Trustees accept that they do not have the ability to determine the risk profile and return targets of specific Mercer Funds but the Trustees expect Mercer to manage the assets in a manner that is consistent with the Trustees' overall investment strategy as outlined in section 4. The Trustees have taken steps to satisfy themselves that Mercer has the appropriate knowledge and experience to do so and keeps Mercer's performance under ongoing review.

Should Mercer fail to align its investment strategies and decisions with the Trustees' policies, it is open to the Trustees to disinvest some or all of the assets invested managed by Mercer, to seek to renegotiate commercial terms or to terminate Mercer's appointment.

To evaluate performance, the Trustees receive, and consider, investment performance reports produced on a quarterly basis, which presents performance information and commentary in respect of the Fund's funding level and the Mercer Funds in which the Trustees are invested. Such reports have information covering fund performance for the previous three months, one-year, three years and since inception. The Trustees review the absolute performance and relative performance against a portfolio's and underlying investment manager's benchmark (over the relevant time period) on a net of fees basis. The Trustees' focus is on the medium to long-term financial and non-financial performance of Mercer and the Mercer Funds.

Neither Mercer or MGIE make investment decisions based on their assessment about the performance of an issuer of debt or equity. Instead, assessments of the medium to long-term financial and non-financial performance of an issuer are made by the underlying third party asset managers appointed by MGIE to manage assets within the Mercer Funds. Those managers are in a position to engage directly with such issuers in order to improve their performance in the medium to long term. The Trustees are, however, able to consider Mercer's and MGIE's assessment of how each underlying third party asset manager embeds ESG into their investment process and how the manager's responsible investment philosophy aligns with the Trustees' own responsible investment policy. This includes the asset managers' policies on voting and engagement.

Section 9 provides further details of the steps taken, and information available, to review the decisions made by managers, including voting history and the engagement activities of managers to identify decisions that appear out of line with a Mercer Fund's investment objectives or the objectives/policies of the Fund.

The asset managers are incentivised as they will be aware that their continued appointment by MGIE will be based on their success in meeting MGIE's expectations. If MGIE is dissatisfied then it will, where appropriate, seek to replace the manager.

The Trustees are long-term investors and are not looking to change their investment arrangements on an unduly frequent basis. However, the Trustees do keep those arrangements under review, including the continued engagement of Mercer using, among other things, the reporting described above.

The Trustees monitor, and evaluate, the fees it pays for asset management services on an ongoing basis taking into account the progress made in achieving its investment strategy objectives as outlined in section 5. Mercer's, and MGIE's, fees are based on a percentage of the value of the Fund's assets under management which covers the design and annual review of the de-risking strategy, and investment management of the assets. In addition, the underlying third party asset managers of the Mercer Funds also charge fees based on a percentage of the value of the assets under management. MGIE reviews the fees payable to third party asset managers managing assets invested in the Mercer Funds on a regular basis with any negotiated fee savings passed directly to the Fund. Mercer's, MGIE's, and the third party asset managers', fees are outlined in a quarterly investment strategy report prepared for the Trustees, excluding performance-related fees and other expenses involved in the Mercer Funds not directly related with the management fee.

Details of all costs and expenses are included in the Mercer Fund's' Supplements, the Report & Accounts and within the Fund's annualised, MiFID II compliant Personalised Cost & Charges statement. The Fund's Personalised Cost & Charges statement also include details of the transaction costs associated with investment in the Mercer Funds.

The Trustees do not have an explicit targeted portfolio turnover range, given the de-risking mandate, but rebalancing ranges have been designed to avoid unnecessary transaction costs being incurred by unduly frequent rebalancing. Performance is reviewed net of portfolio turnover costs, with the review of portfolio turnover of the underlying investment managers undertaken by MGIE.

11. Additional Assets

Under the terms of the trust deed the Trustees are responsible for the investment of any Additional Voluntary Contributions paid by members. The Trustees review the investment performance of the chosen providers as appropriate and take advice as to the providers' continued suitability.

12. Review of this Statement

The Trustees will review this Statement at least once every three years and without delay after any significant change in investment policy. Any change to this Statement will only be made after having obtained and considered the written advice of someone who the Trustees reasonably believes to be qualified by their ability in and practical experience of financial matters and to have the appropriate knowledge and experience of the management of pension scheme investments.

Signed on behalf of **the Trustees of the Associated Press Limited Pension and Life Assurance Fund**

Signed:……………………..…………………… Date:…………………………………...

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